

ALLTEL CORPORATION

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**ALLTEL**

September 4, 1998

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, DC 20554

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SEP - 4 1998  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: 1998 Biennial Regulatory Review --  
Review of Accounting and Costs  
Allocation Requirements  
United States Telephone Association  
Petition for Rulemaking  
CC Docket No. 98-81  
ASD File No. 98-64

Dear Ms. Salas:

Enclosed for filing on behalf of ALLTEL Communications Services Corporation ("ALLTEL") please find an original and nine (9) copies of its reply comments in connection with the above-referenced matter.

Also, in accordance with the Commission's Notice of Proposed Rulemaking adopted June 2, 1998 and released, June 17, 1998, I am sending a copy of ALLTEL's reply comments to Warren Firschein of the Accounting Safeguards Division.

Please address any questions respecting this matter to the undersigned counsel.

Very truly yours,

ALLTEL Communications  
Services Corporation

By:

*Carolyn C. Hill/ss*  
Carolyn C. Hill  
Its Attorney

CCH/ss

Enclosures

cc: (w/encl.)  
Kathryn C. Brown, Chief, Common Carrier Bureau  
Warren Firschein, Accounting Safeguards Division  
International Transcription Service, Inc.

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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

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<b>In the Matter of</b>	)	
	)	
<b>1998 Biennial Regulatory Review--</b>	)	<b>CC Docket No. 98-81</b>
<b>Review of Accounting and Costs</b>	)	
<b>Allocation Requirements</b>	)	
	)	
<b>United States Telephone Association</b>	)	<b>ASD File No. 98-64</b>
<b>Petition for Rulemaking</b>	)	

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**Reply Comments of  
ALLTEL Communications Services Corporation**

ALLTEL Communications Services Corporation, on behalf of its local telephone exchange affiliates (hereinafter "ALLTEL" or the ALLTEL companies"), respectfully submits its reply to the comments filed on July 17, 1998, in the above-captioned matter.

In the NPRM, the Commission, as part of the biennial review process required under Section 11 of the 96 Telecom Act, has proposed to modify its accounting and cost allocation rules for mid-sized LECs. In its comments, ALLTEL generally supported the NPRM, but urged the Commission to move beyond piecemeal regulatory relief and to grant the pending petition for forbearance filed by ITTA on behalf of two-percent LECs, such as ALLTEL. ITTA's petition identified nine Commission requirements which impose unnecessary record-keeping and reporting requirement on two-percent LECs. Among those are those requiring Class A accounting, CAM filings and audits, and ARMIS reports for

those LECs having annual operating revenue exceeding a threshold, as adjusted for inflation, each year.

In looking at the other comments filed herein, the only party opposing the proposed relief for mid-sized LECs was MCI. It encouraged the Commission to deny any relief to the mid-sized LECs, insisting that in the future competitive transactions of mid-sized LECs are likely to increase substantially, therefore necessitating that the status quo be maintained.

Notably, MCI was unable to cite any instance in which the Commission had found that the use of Class A accounting had resulted in the detection of tariff violations by mid-sized LECs. Not did it demonstrate how Class A accounting had assisted the Commission in any tariff investigation involving a mid-sized LEC.

As another basis for denying the proposed relief, MCI argued that the cost associated with maintaining Class A accounting and complying with the CAM requirements are minimal for mid-sized LECs. ALLTEL submits that these costs are not minimal. First, LECs required to file a CAM must pay for an annual outside audit, plus any FCC audit costs. Second, there is not a general ledger software system that is designed for Part 32. Rather, when the software is purchased, it must be modified to accommodate Part 32 requirements. These costs are also not insubstantial - ALLTEL has found that these modifications alone can add at least fifteen percent (15%) to its general ledger software costs. Moreover, as pointed out in ALLTEL's comments, ALLTEL does not use Part 32 as the basis for managerial decision making. Nor does it keep accounting records in greater detail than is required by the FCC. What we currently must do and what causes the perception that we keep our records in greater detail than that required by the Commission

is the fact that we are required to keep two sets of books - one for SEC and investor purposes and the second for regulatory purposes. This is in marked contrast to the less onerous procedures companies such as MCI are allowed follow. They are free to keep one set of books, to adopt and streamline their accounting systems, as needed, and to follow GAAP.

In summary, MCI has provided no basis for its arguments that the regulatory relief proposed should not be extended to mid-sized LECs. The Commission, as set forth in our comments, should now proceed to grant the ITTA forbearance petition.

Respectfully submitted,

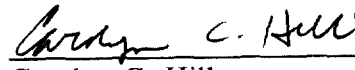
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Dated: September 4, 1998

**CERTIFICATE OF SERVICE**

I, Carolyn C. Hill, do certify that I have on this 4th day of September, 1998 caused a copy of the foregoing Reply Comments of ALLTEL Communications Services Corporation to be served by first-class U.S. mail, postage prepaid, to the persons on the attached service list, unless otherwise noted.

  
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